

COURSE CODE: BAMG 2111 | COURSE HANDOUT

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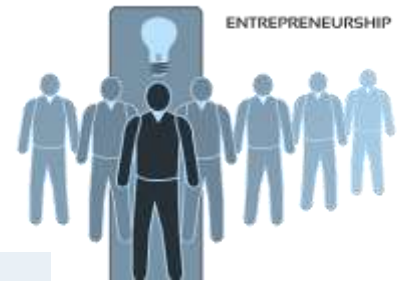
E-LEARNING PORTAL APPENDICES*

- Case Study and Activity Book
- Guide lines for entrepreneurship in Oman
- Sample Business Plan and Feasibility Study Template

REFERENCE BOOKS AVAILABLE IN LIBRARY

- Guide Book for Entrepreneurship in Oman.
- Effective Entrepreneurship book, a skill- based approach by Alan Anderson and peter Woodcock.
- Developing entrepreneurship Skill
- The Business Plan

CHAPTER 1.ENTREPRENURSHIP



INTRODUCTION

Oman is one of the Gulf countries that are developing very rapidly. Oil Resources were discovered in Oman in 1960. It has developed exponentially after it started oil export. Oman also has vast natural resources ranging from fossil fuels to minerals and agricultural products. Oman has achieved a stunning growth in the past 50 years. The future plan of Oman was declared by the Sultanate of Oman Vision 2020.

The essence of the “Vision for Oman Economy: Oman 2020”

1. To develop Omani people in order to cope with technological progress and attain international competitiveness.
2. To develop a private sector (private business/ companies) capable of optimum use of human and natural resources in an efficient way.
3. To promote the use of its natural resources and promote national development.
4. To distribute the fruits/ benefits of development among all regions and all citizens.
5. To safeguard and develop the achievements accomplished in the past twenty-five years.

Some of the challenges facing Oman are:

- Growing youth population of Oman and increasing rate of unemployment
- Over dependence on oil
- Expected gradual decline in oil resources.
- Low level of savings
- Low level of national labor participation/ Low productivity of national labor
- Slow pace of national labor in coping with the rapid developments in the technological field.

What is the solution to the challenges facing Oman?

Entrepreneurship is one of the solutions to the above listed challenges. If young Omanis can take up entrepreneurship as their career, then

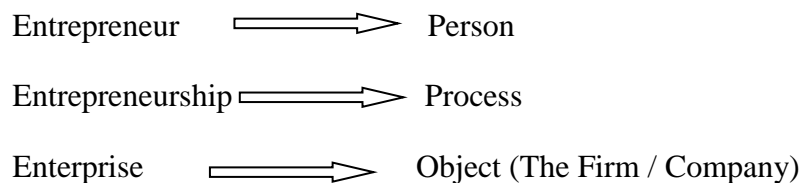
- They can generate a lot of employment (job opportunities) for others.
- Produce goods and services and export them.
- Start various businesses other than oil and gas.
- Reduce dependency on oil and gas.
- Utilize all the other natural resources of Oman.

Entrepreneurship is a systematic process of applying creativity and innovation to needs and opportunities in the marketplace. It involves using new ideas to create a product (goods/services) that satisfies customer's needs.

CONCEPTS OF ENTREPRENEURSHIP

Basically an entrepreneur is a person responsible for setting up a business or an enterprise. He has the initiative, skill for innovation and who looks for high achievements. He is a catalytic agent of change and works for his own business. He starts new business (with innovative idea), arranges capital, takes risk, organizes enterprise then this business creates wealth, opens up many employment opportunities and leads to growth of other sectors as well.

The process of performing all these activities by an entrepreneur is called entrepreneurship.



ESSENTIAL TRAITS OF SUCCESSFUL ENTREPRENEURS

Successful business people have many traits in common with one another. They are confident and optimistic. They are disciplined self-starters. They are open to any new ideas which cross their path. Here are ten traits of the successful entrepreneur.



1. Disciplined

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Open Minded

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

4. Self-Starter

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

5. Competitive

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

6. Creativity

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

7. Determination

Entrepreneurs are not scared by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

8. Strong Communication skills

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

9. Strong work ethic

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

10. Passion

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

The Benefits of Entrepreneurship

The primary benefits entrepreneurs enjoy include the opportunity to:

- Opportunity to create their own destiny
- Opportunity to make a difference
- Opportunity to reach their full potential
- Opportunity to reap impressive profits
- Opportunity to contribute to society and be recognized for your efforts
- Opportunity to do what you enjoy and have fun at it

The Potential Drawbacks of Entrepreneurship

Entrepreneurship also presents *risk and uncertainty*. Entrepreneurs may experience:

- Uncertainty of income: “The entrepreneur is the last one to be paid.”
- Risk of losing their entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
- High levels of stress
- Complete responsibility
- Discouragement

TYPES OF ENTREPRENEURSHIP

- **Solo Operators:**

Solo operators are those entrepreneurs who essentially work alone or have a few employees. In the beginning, most of the entrepreneurs when start their enterprises perceive themselves like them.



- **Active Partners:**

Active partners are basically solo operators who start an enterprise as a joint venture. It is important that all of them actively participate in the business of the firm.

- **Partners:**

There are certain entrepreneurs who only contribute funds to the enterprise without actively participating in various activities of the firm are known as simply partners.

- **Inventors:**

There are some entrepreneurs whose chief competence is their creativity and inventiveness to invent new product are called as inventors. They like to invent new products and services through their research and innovative activities and may need to set up a business enterprise to make them commercially viable. Their interest is basically in research, and they often-lack managerial experience or desire to run a business.

- **Challengers:**

These are the entrepreneurs who get into the business because of the challenge it represents. They tend to get bored when it seems that challenges are met and doing well. Then they begin to search for newer challenges.

- **Life timers:**

Life timers are those entrepreneurs who see their business as an integral part to their life. It is a matter of ego satisfaction and personal concern of life timers to run the business successfully. Family enterprises and business come in this category.

- **Buyers:**

Buyers are those entrepreneurs who tend to purchase business rather than start themselves as it appears to them to be less risky alternative. They do not like to bear much risk.

Entrepreneur Vs. Salary Employee: A Comparison

There are misconceptions that entrepreneur and manager are the same. However, the reality is that they are different.

Table: 1.1

Entrepreneur	Salary Employee
Owner- An entrepreneur is the owner of his own business.	Servant- A salary employee is a servant of his employer.
Profits- An entrepreneur earns profits from his business which is uncertain and unlimited.	Salary- A salary employee earns salary which is generally certain and limited.
Full Risk Bearing- An entrepreneur is a person who has to take high risks for starting and running venture.	Less or No Risk Bearing- A salary employee takes less or no risk while performing his job.
All Functions- An entrepreneur has to look after all the functions of his organization.	Selective Functions- A salary employee looks after selective functions of an organization.
Innovator- An entrepreneur is always an innovator, in the lookout for new products and services.	Executor- A salary employee is simply an executor who is responsible for executing the decisions of the owner and entrepreneur.

ENTREPRENEURSHIP, INNOVATION AND CREATIVITY

The term Creativity and Innovation is often used to mean the same thing, but each has a unique connotation and meaning.



Creativity

Creativity is “the ability to bring something new”. Creativity refers to the phenomenon whereby a person creates something new (a product, a solution, a work of art etc.) that has some kind of value. (Emphasis is on the ability & not the activity to bring out something new). A person may therefore conceive of a new idea which might be beneficial for humans, but he may not do the action to make it a reality.

Innovation

The central meaning of innovation thus relates to renewal. For this renewal to take place it is necessary for people to change the way they make decisions, they must choose to do things differently, make choices outside of their norm Innovation is the process of doing new things.

Some Examples:

Post –it-notes:

- **Creativity:** When it was made for the first time, it was the result of creative process.
- **Innovation:** Make Post it notes in different sizes, shapes, and colors was an innovation on the original creative idea.



Cell Phones:

- **Creativity:** the first hand held mobile Phone was demonstrated by Dr. Marthin cooper of Motorola in 1973, using handset weighing around 1 kg based on the technology of Radio Phone.
- **Innovation:** 1G, 2G, and 3G phones and iPhones are innovation .Developing an existing product with various novel ideas.



INNOVATIVE IDEA GENERATION IN ENTREPRENEURSHIP

Creativity and Innovation are at the heart of the spirit of enterprise. It means to perform activities differently or to perform different activities to enable the entrepreneurs deliver a unique mix of value. Thus the value of creativity and innovation is to provide a gateway for entrepreneurship actively searching for opportunities to do new things, to do existing things in extraordinary ways. Creativity and Innovation therefore, trigger and boost first-rate entrepreneurship in steering organization activities in whatever new directions are dictated by market conditions and customer preferences, thereby delighting the customers to the benefit of the stakeholders.

Sources of New Ideas for Business

A sound idea for a new product or service, properly evaluated, is essential to successfully launch a new venture.

1. Consumers

Potential entrepreneurs should pay close attention to the final focal point of the idea for a new product or service the potential consumer. This can be an informal or formal survey of consumers expressing their opinions. Care should be taken to ensure that the idea represents a large enough market.

2. Existing Companies

Entrepreneurs should establish a formal method for monitoring and evaluating the products and services in the market. Frequently this analysis uncovers ways to improve on these offerings that may result in a new product that has more market appeal.

3. Distribution Channels

Members of distribution channels are also excellent sources for new ideas because they are familiar with the needs of the market. Not only do channel members frequently have suggestions for new products, but they can also help in marketing the entrepreneur's newly developed products.

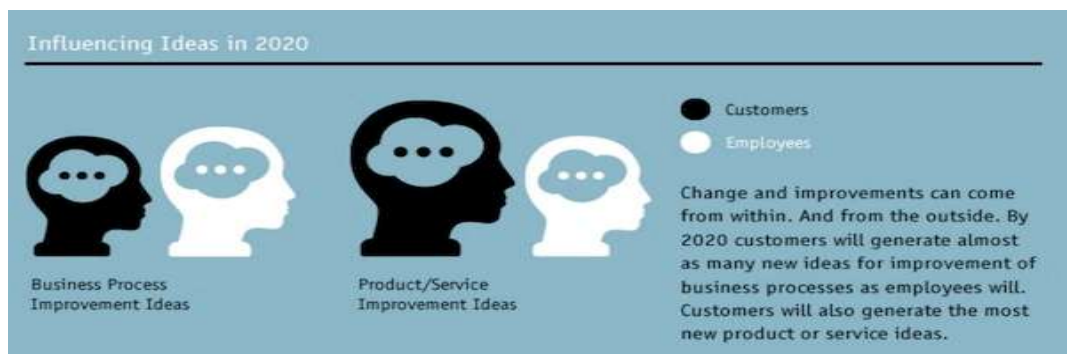
4. Federal Government

The federal government can be a source of new product ideas in two ways. First the files of the Patent Office contain numerous new product possibilities. Although the patents may not be feasible for new product introduction, they can suggest other marketable product ideas. Several government agencies and publications are helpful in monitoring patent applications. Second new product ideas can come in response to government regulations.

5. Research and Development

The largest source for new ideas is the entrepreneur's own research and development. This can be a formal endeavor connected with one's current employment. A more formal research and development department is often better equipped and enables the entrepreneurs to conceptualize and develop successful new product ideas.

Exhibit 1.1



Methods of Generating New Ideas

Focus Groups

- ✓ A moderator leads a group of 8 to 14 participants through an open, in-depth discussion in a directive or nondirective manner.
- ✓ An excellent method for generating and screening ideas and concepts.

Brainstorming

- ✓ Allows people to be stimulated to greater creativity.
- ✓ Good ideas emerge when the brainstorming effort focuses on a specific product or market area.

Brain writing

- ✓ A form of written brainstorming.
- ✓ Participants write their ideas on special forms or cards that circulate within the group.

Problem Inventory Analysis

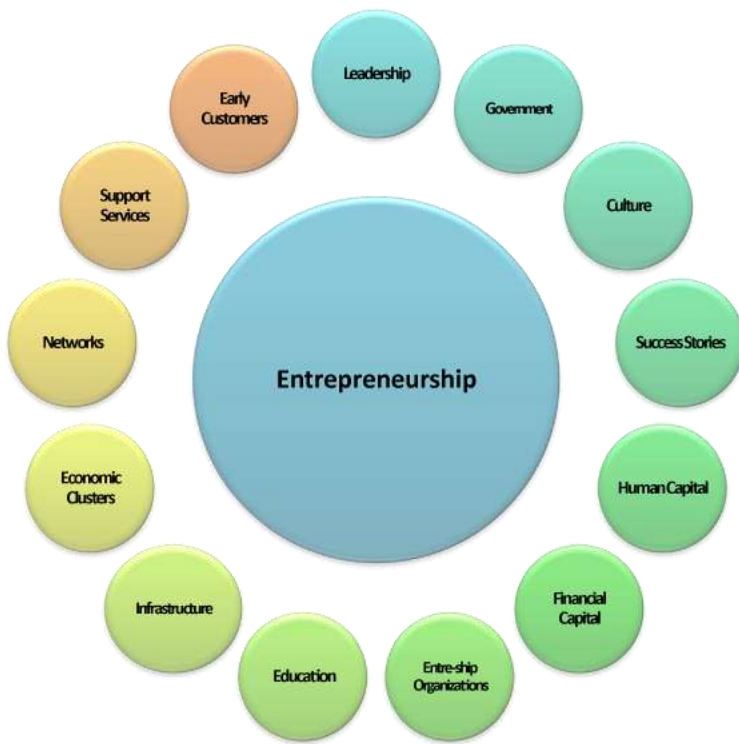
- ✓ Consumers are provided with a list of problems and are asked to identify products that have those problems.
- ✓ Results must be carefully evaluated as they may not actually reflect a new business opportunity.

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important inputs in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. The other roles of entrepreneur are as follows:

- a) Entrepreneurs set up enterprises which provide employment not only to themselves but to many others directly and indirectly and thereby put into utilization Human Resource of the country.
- b) Entrepreneurs combine resources, put their time and efforts and produce goods or services. The Value Addition that they do to the resources brings prosperity to the country.
- c) Entrepreneurs contribute to the productivity, output, value addition, income and employment.
- d) The spirit of Entrepreneurship is to drive, achieving higher goals, creativity, and innovative attitude.
- e) It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society.

Exhibit 1.2



1- Discussion Questions:

1. *Describe the essential traits of successful entrepreneur.*
2. *What is the role of innovation and creativity in entrepreneurship?*
3. *How Entrepreneurship plays important role in the economic development of any country.*

2- Case Studies / Activities

The following Case Study and Class activities complement lecture for the topics presented in this chapter is available in the: **(The Case Study and Activity Book- E-Learning Portal)** .

- Case 1.1
- Case 1.2
- Case 1.3
- Activity 1.1
- Activity 1.2
- Activity 1.3
- Activity 1.4

3 - Online Videos

These online videos may enhance class discussion and provide additional insight for the chapter topics. You may consider searching “entrepreneur,” “small business” along with more specific topics.

- Where does good ideas come from by Steven Johnson 4:06 minutes
<http://www.youtube.com/watch?v=NugRZGDbPFU>
- The 10 Myths of Entrepreneurship 10:16 minutes
<http://www.youtube.com/watch?v=G8gRkj9cnzo>
- Creativity and innovation for entrepreneurship 15:45 minutes
<http://www.youtube.com/watch?v=bPMYUQoGJms>
- Entrepreneurship: The 8 Great Traits That Lead To Success 06:16 minutes
http://www.youtube.com/watch?v=OGT_IIZc6io

CHAPTER 2 –SMALL AND MEDIUM ENTERPRISES (SMES)

FEATURES AND CHARACTERISTICS OF SMALL BUSINESS



Small businesses are carried out with minimum investment. These businesses are run with the plan to produce more income with the least amount of money invested in a business. While most people run their small businesses from their neighborhood localities, many small businesses are now also being run from the home. Small business form perfectly suits for those who want to do business without taking a lot of risks. Small businesses are also for those people who are unemployed, or who want to spend quality time with their family.

DEFINITION OF SME IN OMAN: SMALL AND MEDIUM ENTERPRISES

The Ministry of Commerce and Industry in Oman defines the term SME according to the number of employees as below:

Table: 2.1

Business Enterprise	Number of employees	Annual Sales
Micro	Fewer than 5 workers	Less than RO 25,000
Small	5 – 9 workers	RO 25,000 to RO 250, 000
Medium	10 – 99 workers	RO 250,000 to RO 1.5 m

Currently there are around 91,000 SMEs functioning in Oman as per a survey conducted by the statistics department at Ministry of commerce and Industry (MoCI- 2013), SME's in Oman constituted about 90% of the total number of establishments.

There are many entrepreneurs who started businesses as a sole proprietor and with the passage of time they converted into partnerships. After getting large volume of profits, they even become the owner of huge corporations. Here we will talk about the top industries those have been running as successful small businesses in the world.

INDUSTRIES IN WHICH MOST SMALL BUSINESS ARE ESTABLISHED



Below is the detail of those industries in which small businesses are established:

1: Internet Related Business

The great thing about having an internet business is the entry costs are very low. All you need is a website and some products to sell. Of course you'll also need to take online payments but PayPal can help you with that requirement for no set up costs.

2: Fast Food / Restaurant

There are many opportunities to provide fast food in an outlet in a high street or slightly behind the main streets for people wanting food late in the evenings or to be delivered to their home. The competition is tough but even in the toughest economic times people still order pizzas or opt for fish and chips as the cost is lower than most pre-prepared food.

3: Education and Training

Worldwide education and training enhancement activities are growing with a fast pace. Technology is rapidly changing so it also requires training, especially to get good jobs. This sector has a great potential and for last 2 decades many entrepreneurs have been coming to this business.

4: Catering Business

You could operate a small catering business from home or from small premises. Many people look for catering for private events such as birthdays. You'll need a health and safety certificate and hygiene certificates to begin which are provided by the local authority.

5: Mobile Phones and accessories

Mobile phones and accessories are becoming the need of every person today. It has a dynamic market and for this, entrepreneurs need to have little training and with a small initial capital it can be started and then they can expand the business.

6: Retail Stores

Retail stores are a very good choice for entrepreneurs. Retail business has a great demand just like retail of grocery has a great scope because every person in this world needs grocery so it has a great potential.

7: Coffee Shops

You could start your own coffee shop like Costa Coffee or Starbucks. A great way to begin is to have a small portable van that makes coffee and snacks on the go. You could position this at railway stations (with permission) or car parks - basically where there are people going to work and need a coffee, snacks or tea. To run a proper coffee shop of course needs premises. If you go this route ensure it's in a busy area of a town. Set up costs can be small (for the portable service) or large for the outlet.

8: Personalized products and/or services

People enjoy personalized products and/or services that are made specifically to their specifications. With growing interest in everything custom and personalized, starting a business offering design-your-own, make-your-own or choose-your-own products and/or services is a smart move. A couple of examples: Optic glasses, perfumes, Ink custom t-shirts (online).

9: Automobile Services and Washing

There are many new car washing businesses being set up in old garages and in entrances to car parks. The set up costs are low because you just need to rent the space and get access to water and purchase the washing detergents.

10: Professional Services / Outsourcing

You may already have a professional qualification such as an accountant or a Professional recruiter, marketer or solicitor so now may be the time to go it alone. With all businesses you may need to start out at the bottom by providing book keeping services to begin to get business. Target local small businesses first and word should soon spread. This is a business that can be started from home at first.

ADVANTAGES AND DISADVANTAGES OF SMALL BUSINESS

Small businesses are carried out with minimum investment. These businesses are run with the plan to produce more income with the least amount of money invested in a business. While most people run their small businesses from their neighborhood localities, many small businesses are now also being run from the home. Small business form perfectly suits for those who want to do business without taking a lot of risks. Small businesses are also for those people who are unemployed, or who want to spend quality time with their family.

Some of the advantages and disadvantage of small businesses include:

Advantages of Small Business

1. Small Business needs Little Investment

One of the major advantages of small businesses is that the investment for running the business is not a major issue. Small business grants, financial aid and economic support is readily available to persons owning a small scale business. These grants are issued to business owners from government run programs to banks and other big business corporations. In fact there are several industries that are willing to provide small business grants. Due to this a person can start his own small scale business by applying for loans and/or credits via a hassle free process.

2. Easy Record Keeping

Another advantage of small businesses is that it is very easy to record business transactions. Keeping track of business dealings in a small business can be easily maintained and updated regularly. A business owner can setup an accounting system on his PC and store all the transactions that the business makes. Most accounting responsibilities in a small business are easily manageable, however a qualified accountant can be useful in helping business owners make the reports and financial statements to better manage their business.

3. High Motivation level of Owner

Entrepreneurs own business motivates him to work harder as he takes all the profits and is responsible for all the loss incurred by the company

4. More Freedom

Small businesses give the owner the freedom to choose the way he wants to work, e.g. the office hours, when to take breaks during the day or when to take a day off.

5. Easy Management of Assets and Liabilities

An advantage of small businesses is that the management of assets and liabilities is not a difficult task. Assets include checking and savings accounts while liabilities include the money you owe to others. Additionally keeping a cash transaction record is easily maintainable in a small business.

Disadvantages of Small Business

1- Lack of Authenticity

One of the major disadvantages of a small business is the lack of authenticity. Most people prefer to do business with established industries rather than to put their trust in small businesses which have several risk factors. To make the name for a small business in the big industry is the major obstacle that most small businesses face. Much marketing effort and references are required to firmly establish and authenticate a small business.

2- Lack of highly skilled Human Resource

Small business usually lacks highly skilled human resource. Because skilled professionals like to join big companies so that they can avail good salaries and exposures

3- Difficulty in repayment of Debts

A disadvantage of small businesses is the non-payment of loans or grants undertaken by the business owner, when he is not capable of running a business properly. If the small business crashes it imposes serious economic consequences on a person who is liable to be sued by the loan providers.

4- Less Capital available

Small business is usually run by a single person or in the form of partnership of a few people. They cannot invest as much as large companies can do. This problem leads to many other problems while operating small scale business.

5- Lack of Proper Planning for Small Business

The disadvantage of a small business is that since it is run on a low budget, it requires tremendous marketing and the planning and implementation of proper strategies. The improper handling of loans or investments can often lead to the downfall of a small business very quickly

Exhibit 2.1



BUSINESS OPPORTUNITIES FOR WOMEN IN OMAN



1- Garments and Jewelry Business

Women have many business opportunities in the field of “dresses and jewelry business”. Because in local culture females feel more comfortable buying these things from female sales persons and here another factor is important that female knows better about the choice and product taste of females.

2- Education Sector

“Education” in Oman has been emphasized so much since recent past. This sector has a great potential for female entrepreneurs. A school or a training center can bring a lot of potential customers and females can get benefit from it.

3- Baby Day Care Centers

Similarly “Baby Day Care” could be a good business for females as economic activity in Oman is increasing day by day and women are also getting involved in jobs. They have a common problem of taking care of their children during working hours. Baby Day Care centers can be helpful for them and it is a unique business opportunity for females.

4- Businesses related to Esthetic

Females have a good esthetic sense naturally. So there is a great business opportunity for females in the business of decoration of houses, designing, interior plant and flower arrangements etc.

5- Cultural Organizations

Cultural organization could be a good option for females to become entrepreneur. These include event management, catering services etc.

Sharifa is a passionate entrepreneurship development consultant, business woman and certified trainer with eleven years of experience in the public, private and social sectors in the Sultanate of Oman and the United Kingdom. She is the recipient of Business woman Personality of the year award 2011 from the AlRoya Business Publication House in Oman, as well as member of the SME committee at the Oman Chamber of Commerce and Industry (OCCI). Sharifa is an associate member of the Institute of Biomedical Scientists in the U.K. and she holds a Bachelor's degree in Medical Sciences from the U.K. Driven by a passion to support projects that bring about cultural, social and business model transformation, she is working towards creating an entrepreneurial mindset that results in a culture paradigm shift through all sectors in the Omani Market. You can find her on her [blog](#) or on Twitter at @OmnEntrepreneur



1. Discussion Questions:

- 1- *What are the different kinds of industries in which small businesses are established?*
- 2- *Being a Women entrepreneur what are the different kinds of opportunities in Oman?*
- 3- *What are the advantages and disadvantages of SMEs?*

2- Case Studies and Class Activities

The following Case Study and Class Activity complement lecture for the topics presented in this chapter is available in the: **(The Case study and Activity Book, E-Learning portal).**

- Case 2.1
- Case 2.2
- Case 2.3
- Activity 2.1
- Activity 2.2

3 - Online Videos

These online videos may enhance class discussion and provide additional insight for the chapter topics. You may consider searching “entrepreneur,” “small business” along with more specific topics.

- A Film of Micro, Small and Medium Enterprises - 2013 5:49 minutes
<http://www.youtube.com/watch?v=w5EziUopSVg>
- Critical Success Factors for SMEs in Oman 21:06 minutes
<http://www.youtube.com/watch?v=Q79z50Xt4ys>
- OMAN: Green Light For Business 03:21 minutes
<http://www.youtube.com/watch?v=T2qiA9Ti-9o>
- A Look at Entrepreneurship in Oman A Chat with Sharifa Albarami 06:22 minutes
<http://www.youtube.com/watch?v=lsZ-ejOTVRs>
- Oman Developing Women Entrepreneurs – Arabic 03:02 minutes
<http://www.youtube.com/watch?v=mKHvLby0ri8>

The purpose of a feasibility study is to determine if a business opportunity is possible, practical, and viable.

When faced with a business opportunity, many optimistic persons tend to focus on its positive aspects. A feasibility study enables them to take a realistic look at both the positive and negative aspects of the opportunity.

- **Marketing Feasibility**
- **Technical Feasibility**
- **Management Feasibility**
- **Financial Feasibility and Legal Feasibility**

I. Description of Company's Products and Services.

A. Identify competing areas for the product to be marketed

- ### B. What type of product is proposed?

- ### C. Market outlets proposed for the product

- ## D. Transportation

1. Distance to primary markets
2. Mode of transportation—truck, rail, air, water

2. Target Market and Market Segmentation

There are always a number of different markets in which one can sell their products. Within each market there are also a number of market segments or sub-divisions that can be specifically targeted. It is very important to decide at an early stage in establishing a business, what type(s) of market does a processor wish to target but also which particular segments within each. Identify the market segments of your products and services and select the target market. For Example;

	Marketing Segmentations	Target Market
My proposed business	Lower income ,Upper income, Middle Income	Middle income group
Competitor1	National, Regional , Local	Local
Competitor 2	Male , Female	Female

Table 3.1

3. Competitor Analysis in Marketing Mix(4 Ps)

Describe what is unique about the enterprise's product/service compared to the competition. Make sure this is consistent with the unmet need of the target market(s).

Examples of 4ps are;

<u>Product</u> Better quality Better appearance More attractive packaging Clearer labels More nutritious More varieties Different colors Better flavor Available in required amounts	<u>Place</u> Longer opening hours Better decoration Cleaner environment Popular location Delivery service Fast and friendly service Good range of stock Ease of supply
<u>Promotion</u> Advertising Free samples Competitions and shows Articles in newspapers Special promotions In-shop displays	<u>Price</u> Lower prices Discounts for higher quantities Special offers Credit facilities

Table 3.2

	Product	Price	Place	Promotion
My proposed business	Better quality	Discounted Price	Fast and Friendly Service	Advertising
Competitor1	More varieties	Lower Price	Easy of supply	Free samples, and newspaper ads
Competitor 2	Better appearance	Credit Facilities	Popular Location	Special promotion

Table 3.3

4. SWOT Analysis

SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:

1. **Internal factors** – the strengths and weaknesses internal to the organization
2. **External factors** – the opportunities and threats presented by the environment external to the organization

Example of a SWOT analysis of a new business in relation to competitors

	My proposed business	Competitor A	Competitor B
Strengths	Production likely to be sited close to retailers can deliver at short notice.	Good brand image and range of products.	Product is cheaper than A and sells well They offer good margin to retailers.
Weaknesses	Difficult to find good packaging.	Products more expensive than B. Uses synthetic colors and preservatives.	Poor quality product, poor label design. I'm told by retailers that supplies are irregular and not always the amount ordered.
Opportunities	Retailers say demand for products without additives is increasing. I can produce without added colors.		Appears to be expanding deliveries to new areas according to newspaper reports.
Threats	Strong promotion by A. There are few wealthy consumers and price is most important factor. I am not yet sure of production costs.	Cheaper products than B.	May have over-expanded distribution network and failing to make deliveries.

Table 3.4

TECHNICAL AND MANAGEMENT FEASIBILITY

Technical feasibility analyzes the availability of technology and resources. This type of analysis helps companies determine whether new technology is feasible or not. It is used when new technology is first developed, prior to use.

Tools and Office equipment

This will included all the machinery and equipment which is needed in the production,

Machinery & Equipment	Purchase Cost	Life span	Depreciation=Cost of Asset ÷ Expected Life span
Farm tool	103000 OMR	10 years	$103000 \div 10 = 10300$ OMR
Office Furniture	10000 OMR	3 years	3333 OMR
Total Cost			

Table 3.5

Raw Material (If needed)

Raw Material	Cost
Fruits and vegetables	200 OMR per carton
Flour for bakery product	300 OMR per bag of 10Kg
Total Cost	

Table 3.6

MANAGEMENT FEASIBILITY

- Describe the requirements for the management positions and responsibilities for those personnel.
- Evidence that the continuity and adequacy of management has been evaluated and documented.

FINANCIAL FEASIBILITY

Two tools that can help you manage your financial feasibility are

- a) Sales Revenue
- b) Cash Flow Forecasting
- c) Break-even Analysis

a). Sales Revenue: Sales in unit x selling price per unit

For Example; if you want to sell your product A. you have to specify number of products e.g. 1000 for 2 OMR each.

	Month 1	Month 2	Month 3	Month 4	Month 5
Sales Revenue	2000 OMR				

Table 3.7

b. Cash Flow Forecasting

Cash Flow forecasting is a tool to properly manage the financial aspects of your business. It helps you plan and prepare for future events and market changes.

The Cash Flow Forecast is a quick and easy tool to use. You can create the forecast in three easy steps.

Step One: Determine Your Cash Inflows

Step Two: Determine Your Cash Outflows

Step Three: Reconcile the Inflows and Outflows

STEP ONE: DETERMINE YOUR CASH INFLOWS

Cash Inflows are all the sources of cash coming into your business. These can include:

- Receipts from Cash Sales (Sales Revenue)
- Accounts Receivable Collected (These are generally in the form of invoices raised by a business and delivered to the customer for payment within an agreed time frame)
- Fees Collected (from any source)
- Bank Loan

For new businesses, sales forecasting can be trickier. This is where your market research can help. You'll need to know the size of your market, how often and when your customers will buy from you, how much they will buy and at what price they will likely buy at. You will want to be realistic and conservative with your initial projections. Show that your sales are slower initially but do increase as awareness of your business grows with your target market.

STEP TWO: DETERMINE YOUR CASH OUTFLOWS

Cash going out of your business is a cash outflow. These may include:

- Cash Purchase of Materials and Inventories
- Wages
- Maintenance Expenses
- Utilities
- Insurance
- Supplies
- Loan Repayments
- Start-up Costs

▪ STEP THREE: RECONCILE THE INFLOWS AND OUTFLOWS

Reconciling means to compare one group of similar numbers with another group and identify the differences. These differences, when accounted for, should make both groups match.

Each month, you should reconcile (compare) the net cash flow with how much cash you have on hand. That figure is used as the beginning balance for the next month.

Once you know what your cash is, coming in and going out, the formula is very simple

Formula: Cash Inflows - Cash Outflows = Net Cash Flow (surplus or deficit)

Add all your inflows together then subtract the total of your outflows. Whatever is left will be your Net Cash Flow, surplus (positive amount) or deficit (negative amount).Cash flow statement for 12 months

<u>OMR / Months</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
Opening Balance	100	*26600										
+ Equity	20,000											
+ Loan	5000											
+ Sales Revenue	10000											
+ any other												
I. Total Cash inflow	35100											
Investment	5000											
+ Operational cost	3200											
+Interest	200											
+ any other	100											
II. Total Cash out flow	8500											
Cash at the end of month. I -II	*26600											*50000 Will be used as net cash flow at the end of year

Table 3.8

c. Break-Even Analysis

Another valuable management tool is the Break-Even Analysis. This figure helps you determine what volume of sales is required to cover all of your costs. Once you cross the break-even point, all sales are profit makers.

Three factors are incorporated in calculating your break-even point.

1. Fixed Costs

These are costs that remain the same regardless of how much you sell. They include things like your **rent, insurance, taxes, utilities, loan repayments, advertising**, etc.

2. Variable Costs

These costs change based on how much product is produced or sold. They are sometimes referred to as “**cost of goods sold**”. They include your materials, **packaging, some labor costs, transportation and freight**. You will want to know this on a per unit basis.

3. Variable Profit

This amount is often referred to as the Gross Profit. It reflects the Sales Price less the Variable Costs (Cost of Goods Sold) and is used in the Break-Even Dollars calculation. The Variable Profit will decrease as the Variable Costs increase, and it will increase as the Variable Profit decreases.

4. Unit Price

The price at which you will sell your product or service.

You can calculate how many units you need to sell to break even and how many sales in (OMR) are required to break even. Here are the formulas you will need:

Formulas:

$$\text{Variable Profit} = \text{Unit Price} - \text{Variable Cost per Unit}$$

The Variable Profit calculation is used in the following formulas:

$$\text{Break-Even Units} = \frac{\text{Total Fixed Costs}}{\text{Variable Profit}}$$

And

$$\text{Break Even OMR} = \frac{\text{Total Fixed Costs}}{\text{Variable Profit} \div \text{Unit Price}}$$

Here's a simple example:

Let's assume your fixed costs are OMR5000 a month, variable costs are OMR8/unit and you plan to sell your product for OMR 20/unit.

$$\text{Variable Profit} = \text{OMR } 20 - \text{OMR } 8 = \text{OMR } 12$$

$$\text{Break-Even Units} = \text{OMR } 5000 = \frac{\text{OMR } 5000}{(\text{OMR } 20 - \text{OMR } 8)} = 417 \text{ Units}$$

$$\text{Break-Even OMR} = \frac{\text{OMR } 5000}{(\text{OMR } 20 - \text{OMR } 8)} = \frac{\text{OMR } 5000}{\text{OMR } 12 \div 20} = \text{OMR } 8,333 \text{ in sales} \quad 60\%$$

So we've learned that to break even, or just cover all of our costs, you would have to make OMR8, 333 in sales that month which would equal 417 units sold.

If you find you are not breaking even, there are 3 adjustments you can make to rectify the issue.

1. **Lower Your Variable Costs:** See if you can find a cheaper supplier, control your inventory, schedule staff more effectively or consider more efficient technology.
2. **Control Your Fixed Expenses:** Examine to see if any budget cutbacks can be made.
3. **Raise Your Price:** Unless you are in a very price sensitive market, customers won't particularly notice a small increase in price. Even 4-5% can have a positive impact on your profit.

As the business owner, you can use this Break-Even Analysis to make key decisions. You know where your sales need to be so you can now set goals and allocate your sales force and marketing initiatives accordingly. You can also determine the impact of price adjustments on your profit. Determining your breakeven also works well with your cash flow analysis. For slow months, you can monitor your expenses to keep losses to a minimum.

LEGAL FEASIBILITY

Following points should be covered in Legal Feasibility.

- ✓ Registrations of the Enterprise*
- ✓ Food related Laws (if any e.g. is License food composition, Hygiene and sanitation and food labeling)
- ✓



NOTE: *Remember a Business Feasibility Study supports the decision-making process as to whether the Business Concept is in fact viable. No Viability answer is still a positive result as it saves the entrepreneur wasting financial resources and valuable time.*

1. Discussion Questions:

- 1. What are the things need to require for Marketing Feasibility?*
- 2. W technical and financial feasibility required for business Plan.*

2. Sample Business Plan and Feasibility Study Book (e-Learning Portal)

Following is available in the e-Learning Portal;

1. Sample of Feasibility Study
2. Template of Feasibility Study
3. Financial Templates

3 - Online Videos

These online videos may enhance class discussion and provide additional insight for the chapter topics. You may consider searching “Feasibility Study” along with more specific topics.

- Feasibility Study Tutorial 05:35 minutes
<http://www.youtube.com/watch?v=qjz3EphltZQ>
- Importance of Feasibility Studies 02:23 minutes
<http://www.youtube.com/watch?v=nhFbNno9JqI>

CHAPTER 4. DEVELOPING A BUSINESS PLAN

What is a business plan?

A business plan is a formal statement of a set of business goals, the reasons they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals

These are the important elements of business plan;

1. **Executive summary**
2. **Company Description**
3. **Marketing Plan**
4. **Management Plan**
5. **Operational plan**
6. **Financial Plan**
7. **Risk Management Plan**

1. EXECUTIVE SUMMARY

In a standard business plan with a standard executive summary,

The first paragraph of your executive summary should generally include your business's name, its location, what product or service you sell and the purpose of your plan. Basically, the first paragraph is an introduction to what you and your business plan are all about.

Another paragraph should highlight important points, Demonstrate that you have done thorough market analysis. Include information about a need or gap in your target market, and how your particular solutions can fill it. Convince the reader that you can succeed in your target market, and then address your future plans.

Remember, your Executive Summary will be the last thing you write. So the first section of the business plan that you will tackle is the Company Description section.

2. COMPANY DESCRIPTION

- **Name of the Company to which business belong.**

Describe the complete name of the company with full description

- **Vision of the Company**

Vision is a vivid mental image of what you want your business to be at some point in the future, based on your goals and aspirations. Having a vision will give your business a clear focus, and can stop you heading in the wrong direction.

How to write a vision statement

To write an effective vision statement you should think about what your business does, and imagine what your business would look like if it became the best possible version of itself.

Examples:

1. 'Our salon will change the way you think about a haircut, and leave you glowing both inside and out.' (local hairdresser)
2. 'There will be a personal computer on every desk running Microsoft software.'
(Microsoft's original vision statement)

- **Mission of the Company**

Mission statement as a combination of what your company does and how and why it does it, expressed in a way that summarizes the values that are important to you. Here's how to write a mission statement in three easy steps

- **Describe what your company does.** e.g. My company's purpose is to: Sell shoes or Provide educational services
- **Describe how you do it.** e.g. Provide high product quality or Provide superior customer service
- **Add why.** It helps to think back on why they started their business in the first place.

Sample Mission Statements

- My company's purpose is to Sell shoes of the highest quality so every customer can find a pair of shoes they actually love to wear
- **Nike:** To bring inspiration and innovation to every athlete in the world.
- **Starbucks:** To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.

▪ Goals and Objectives

- The first approach to specifying goals and objectives begins with a review of your company's mission statement. Using key phrases from your mission statement to define your major goals leads into a series of specific business objectives.
- The connections between goals and your mission are easy to visualize if you use a flowchart. Key phrases in the mission statement lead to major goals, which lead to specific business objectives.
- Make sure your goals are always measurable. By establishing metrics goals, you can gauge your progress and recognize immediately when your efforts are going off track.

Exhibit 4.1



e. Description of Product and Services

Explain clearly what your product or service is and what it does.

- ✓ Benefits and Features
- ✓ Unique selling points
- ✓ Advantages to customer

f. Design your Logo

Your logo is a visual representation of everything your company stands for. Think of McDonald's golden arches or the Nike swoosh-these two impressive logos embody these companies well. Following are the links through which you can develop your own logo.

- ✓ www.logomaker.com
- ✓ www.logogarden.com
- ✓ <http://cooltext.com>

Exhibit 4.2



f. SWOT analysis

Analyze the strengths and weaknesses of the business and product or service, the opportunities that exist in the marketplace, and the threats to the viability of the project. An example of SWOT is as follows;

Table 4.1

<p>Strengths</p> <ul style="list-style-type: none"> • Location within the Shopping Centre for point of sales • Skills – knowledge, skills and experience of owners/managers in running successful café businesses previously 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Capped capacity due to floor space
<p>Opportunities</p> <ul style="list-style-type: none"> • Economy – Well positioned to take advantage of a strong economy, low interest rates and high disposable income 	<p>Threats</p> <ul style="list-style-type: none"> • Increased cost of utilities, such as water and electrical power

3- MARKETING PLAN

This section covers market research and competitor analysis. One must show that he has the market research to justify the projections made in his business plan. It must demonstrate that there is a viable market and that he can beat the competition in the market for sales.

a. Market Segmentation

Market segmentation defined as the identification of specific groups of customers

Who respond differently from other groups to competitive strategies?

Target market/segment characteristics

You can profile your target market/segments using four categories:

Geographic: e.g: location, population size or climate.

Demographic: e.g: age, gender, family size, family life cycle or income.

Psychographic: e.g: social class, lifestyle, motivation or personality.

Behavioural: e.g: product benefits, frequency of use or brand loyalty.

How a firm would evaluate three different market segments. For this purpose take the example, we will use a manufacturer of sports shoes who has identified **four market segments, as per the following segmentation tree diagram**

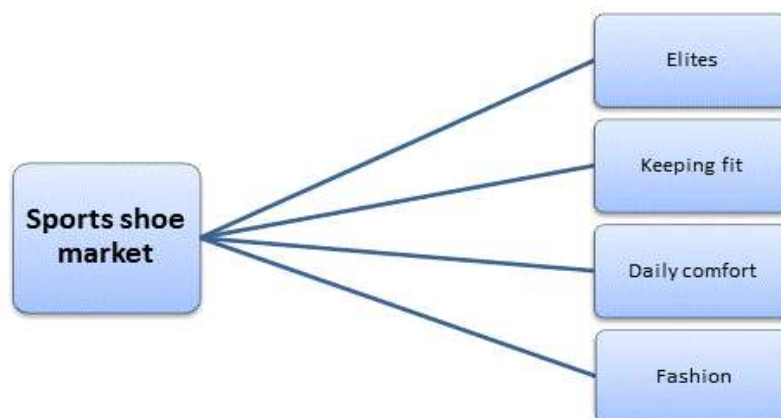


Exhibit 4.3

Elites Segment: These are professional sports people or consumers who compete in sports at a top level. There are after the latest technology and features in a sports shoe for specifically designed for their chosen sport

Keeping fit Segment: This segment consists of consumers who regularly exercise or play sports at a social level. They want a good quality shoe that provides reasonably good value.

Daily Comfort Segment

These are people who wear sports shoes on an everyday basis, simply because they are comfortable. They do not generally participate in sports. They sports shoes for walking, going to the shops, around the house, and so on. They are interested in the comfortable shoes at a fair price.

Fashion Segment

This group of consumers is very interested in the fashion elements of sports shoes. They generally do not participate in regular sports, but do like shoes that have an unusual design, color, features and so on. They wear the shoes as part of their fashion and dress sense

b. Target Market

Your target market is simply the market (or group of customers) that you want to target (or focus on and sell to).

For examples in the above segments, the **target market** of the firm is

“Daily comfort Segment”

Business can have more than one target market.

Factors accessing the **right target market**

Factors	Daily comfort Segment (Target Market)	Fashion Segment	Elite Segment
Segment size	Would be the largest segment of the three under consideration	Probably a small to medium-sized segment	Likely to be a relatively small segment
Segment growth rate	Would be a fairly stable segment with high growth prospects	Would be a mature market as well	Probably has reasonable growth prospects
Profit margins	Moderate profit margins, as significant competition exist, with a reasonable number of budget offerings	Likely to have higher profit margins, as price is a minor attribute in the purchase decision	Higher profit margins are likely, as consumers would not be overly price sensitive

Table 4.2

c. Competitors analysis:

Analysis of competitors in the market:

- What are the competing products and services?
- Profile of key players (company size, turnover, profitability etc) and their market share.

d. Competitive Advantage

This is your assessment of why potential customers will choose to buy your product in place of those profiled above. Advantages may include:

- Unique features and benefits
- Price
- New technologies or systems
- Better value to customers
- Greater compatibility with existing systems

e. Marketing Strategy (4 Ps)

This section sets out strategies for reaching target market, arousing their interest in the product or service, and actually delivering the product or service to them in sales.

i. Product Strategy

Describe in detail your products or services in terms of the features and benefits they offer to customers. Describe the characteristics of your product in terms of functionality, quality, appearance that meet the needs of your customer

ii. Price Strategy

When developing your pricing strategy we can consider few strategies like;

- a. Competition strategy(Based on Competitor Price)
- b. Penetration Price strategy(High quality product at low price initially)
- c. your customers sensitivity to changes in price;
- d. what revenue you need to break even; and
- e. What the price says about your product e.g.: value, quality and prestige.

iii. Place Strategy

Describe the various distribution channels that you intend using to bring your products or services to the consumers. What distribution strategy will you adopt, for example, door-to-door, catalogues, retailer, departmental stores, etc.

iv. Promotion Strategy

How you will promote your product or service in the marketplace.

- Advertising – where, when, how, to whom
- Public relations

- Direct marketing
- Website and internet marketing
- Exhibitions and Conferences

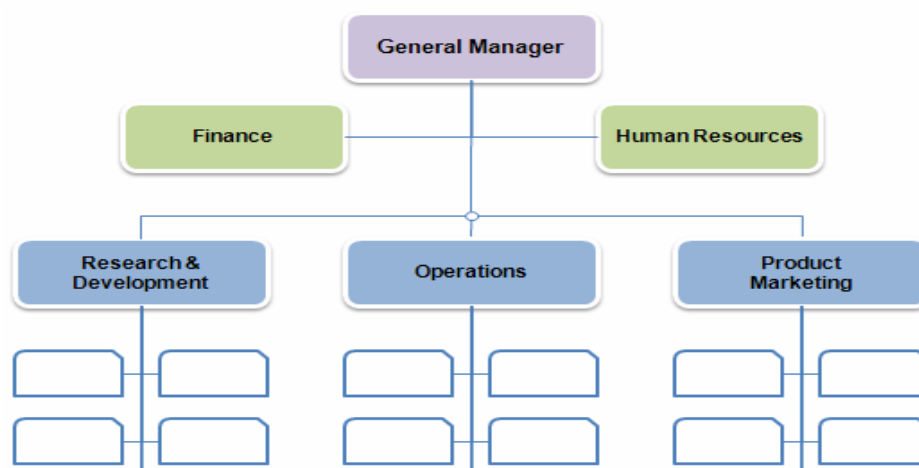
4- MANAGEMENT PLAN

Organization and Management follows the Market Analysis. This section should include: your company's organizational structure, details about the ownership of your company, profiles of your management team, and the qualifications of your board of directors.

▪ Organizational Structure

A simple but effective way to lay out the structure of your company is to create an organizational chart with a narrative description.

Exhibit 4.3



Ownership Information

This section should also include the legal structure of your business along with the subsequent ownership information it relates to.

The following important ownership information should be incorporated into your business plan:

- Names of owners
- Owner/Operator Skills and Experience

Summary of owners' knowledge, skills, qualifications, and relevant experience

Name	Position	Knowledge, Skill, Qualifications and Experience
Mr.Ahmed Saied Al Busiadi	Owner/Architecture	Degree in Architecture and over 25 years' experience in designing apartments, hotels and retail shops

Table 4.3

▪ **Staffing**

State what employees will be taken on over the next three years, with which skills, in which areas of the business.

- It includes details of personnel with specific industry knowledge and experience and salary.

•

Example is as follows;

Name	Position	Knowledge/Experience	Salary
Staff 1			1000 OMR per month
Staff 2			1200OMR per month
Total Salary			*2200 OMR per month

Table 4.4

5- OPERATIONAL PLAN

Outline the intended structure of the company in terms of physical operational requirements to produce or supply the product or service.

○ **Physical Facilities**

State the physical requirements of the business:

- Premises
- Plant and Equipment
- Production facilities

Examples Plant and equipment:

Description of Plant / Equipment Item	Number required	Cost
Quality coffee maker	1	200 OMR
Small commercial kitchen	1	5000 OMR
Benches & cupboards, sinks/drains	5	6000 OMR
Furniture – Chairs & tables	36 chairs 10 tables	5000 OMR
Signs	3	100 OMR
Crockery, cutlery and linen	72 settings of crockery and cutlery	3000 OMR
POS Equipment (including software), computer	1 of each	4000 OMR
Total		23300OMR

Table 4.5

b. Examples of Raw Material (if needed) detailed of Suppliers;

Name	Product/ Service	Volume Purchased	Cost for a month
Fruit & Vegetable Supplier	Fresh fruit and vegetables	OMR 300 per week (will be used in operational cost)	1200 OMR
Tasty Meat Supplier	Fresh meat	OMR 500 per week	2000 OMR
Bakery Supplier	Fresh bread, rolls, and flour etc	OMR 200 per week	800 OMR
Café Supplier Pty Ltd	Plant and equipment	As required.	
Total Cost			4000* OMR

Table 4.6

6- FINANCIAL PLAN

All businesses, whether startup or growing, will be required to supply prospective financial data. You should develop the Financial Projections section after you've analyzed the market and set clear objectives. That's when you can allocate resources efficiently. The following is a list of the critical financial statements to include in your business plan.

- a) Sales Forecast
- b) Start-up Budget
- c) Income Statement (1 year projected)
- d) Cash Flow statement
- e) Balance Sheet (1 year projected)

a. Sales Forecast:

SALES REVENUE = Sales in Unit X Selling Price per Unit

For Example: 5000 units X 2 OMR = 10,000 for first Months

Sales Plan for Year 2015. (OMR)

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total Sales
Sales Revenue	10000 OMR	11000 OMR	12000 OMR	13000 OMR	10000 OMR	9000 OMR	10000 OMR	12000 OMR	13000 OMR	14000 OMR	15000 OMR	16000 OMR	

Table 4.7

b. Startup Budget

i. Start Up financing

This includes both capital investment (Own Capital) and Loans (Borrowed Capital) that can be raised for starting up the business. Care must be taken that sufficient funds to be raised or else it will affect the survival of the business.

Nature of funds	Amount
Own fund (equity Capital)	
Loans taken from the friends/banks and financial institutions	

Table 4.8

ii. Start Up Expense.

These are the expenses that happen before the beginning of the plan, before the first month. These are onetime expenses which cannot be recovered over life of the business and are usually termed as sunk cost. For example many new companies incur expenses for legal work, logo design, brochures, site selection and improvements and other expenses. (Cash Outflow)

Monthly Operational Cost Plan for Year 2015. (OMR)

Planning is based on Monthly Sales Plan Example is:-

Months	1	2	3	4	5	6	7	8	9	10	11	12	Total
Raw material Cost	*4000 (from Operational cost)												
Staff	*2200 (from staff salary)												
Other Expenses	300												
Total Cost	3700												
Depreciation (%)	100												
Total Operational Cost	6600*												

Table 4.9

c. Cash flow Statement

From the Feasibility Study

Examples Cash Flow Statement (OMR) for Year 2015

<u>OMR / Months</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
Opening Balance	100	*26000										
+ Equity	20,000											
+ Loan	5000											
+ Sales Revenue	10000											
+ any other												
1.Total Cash in	35100											
Investment	5000											
+ Operational cost	*6600											
+Interest	200											
+ any other	100											
II. Total Cash out	11900											
Cash at the end of month. I -II	*23200											* Cash in hand to be included in balance sheet. e.g. .30,000

Table 4.10

d. Income Statement

The income statement measures a company's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities. It also shows the net profit or loss incurred over a specific accounting period.



Generally we can say that Income Statement will include 2 main parts:

Revenue – gross revenue in owners' equity as a result of sale of goods or provision of services, sale or rent of assets, lending money and other business transactions performed with the purposes to earn income.

- **Sales Revenue** – items from the main business activities like sale of goods or provision of services;
- **Other Income** – items from other activities, which are not major ones. For example rent or sale of assets if the business is not involved in asset trading or renting business.



Exhibit 4.4



Net Income

Expenses – costs incurred in the process of earning sales or other revenue. E.g. Operational cost and capital Cost or interest and taxes.

Sample Income Statement for Year 2015

Months	1	2	3	4	5	6	7	8	9	10	11	12	Total
Sales Revenues	10000												
Others income	1000												
Total Revenue	11000												
Operational Expenses	(*3800)												
Capital Cost (interest)	(100)												
Total Cost	(3900)												
Profit before tax	7100												
Tax % (12%) in Oman.	(852)												10224* added with liabilities
Net profit (after tax)	*6284												e.g10000*Added with capital in the balance sheet

Table 4.11

e. Balance Sheets

The balance sheet presents a company's financial position at the end of a specified date. Some describe the balance sheet as a "snapshot" of the company's financial position at a point (a moment or an instant) in time. For example, the amounts reported on a balance sheet dated December 31, 2012 reflect that instant when all the transactions *through December 31* have been recorded.



Table 4.12

Example Company Balance Sheet December 31, 2012	
<u>ASSETS</u>	<u>LIABILITIES & OWNER'S EQUITY</u>
Current assets	Current Liabilities
Investments	Long-term liabilities
Property, plant, and equipment	Total liabilities
Intangible assets	
Other assets	Owner's equity
Total assets	Total liabilities & owner's equity

Assets are the economic resources owned by the company. Every asset on the balance sheet is initially measured at the total cost incurred to acquire it.

Current Asset Cash and other resources that are expected to turn to cash or to be used up within one year of the balance sheet date. Current assets are presented in the order of liquidity, i.e., cash, temporary investments, accounts receivable, inventory, supplies, prepaid insurance.

Property, Plant and Equipment (Fixed Asset) A major classification on the balance sheet. It is the second long term asset section after current assets. Included are land, buildings, leasehold improvements, equipment, furniture, fixtures, delivery trucks, automobiles, etc. that are owned by the company

Liabilities are the company's debts or obligations. Under the category Liabilities,

Current Liabilities Obligations due within one year of the balance sheet date. Another condition is that the item will use cash or it will create another current liability.

Long-term liabilities Obligations of the enterprise that is not payable within one year of the balance sheet date.

Stockholders'/Owners equity indicates the amount of financing provided by owners of the business and earnings.

Example of Balance sheet for Year Ending December, 2014

Asset	Value(OMR)	Liabilities	Value(OMR)
Fixed asset		Owner Equity (Capital)	20,000
		Add net profit *(from income statement)	10,000
Land	20000	Long Term Liability	
Building	10000	Mortgage	10000
Plant & equipment(from above table in operational plan)	*23300	Loan	20000
Total Fixed Asset	53300	Others	10000
Current Asset		Total Long term Liabilities	40000
Cash* (from Cash flow statement)	*30000	Current Liabilities	
Cash at bank	10000	Account Payable (if credit purchases)	10000
Account Receivable (if credit sales)	5000	Taxes Payable (outstanding taxes)	10224
Inventory(Remaining stock)		Others Payable	8076
Total Current Asset	45000	Total Current Liabilities	28300
Total Assets=	98300	Total Liabilities=	68300
(Fixed Asset +Current Asset)		(Long term Liability +Current Liability) +Owners Equity	+ 30000

Table 4.13

7- RISK MANAGMENT PLAN

Small businesses need to prepare for these same events, while also making plans to deal with emergencies like owner hospitalizations, and other possible crises. The particulars of your plan will be unique, but by following these steps you'll be on your way to having a thorough contingency plan in place.

1. **Identify risks.** Determine what the main risks are to your small business. Is hurricane season an issue where you are?
2. **Pinpoint essentials.** Decide what's absolutely necessary for your small business to start operating again if a disaster or illness forced you to close. Then take steps to ensure that those resources are available quickly if needed.
3. **Establish roles and responsibilities.** Identify team members and staff, what they do now, and what they're capable of doing if necessary.
4. **Secure insurance.** A good start is a business owner's policy or insurance, which includes general liability and business equipment coverage. Having the proper type of insurance to cover your risks will go a long ways toward getting your small business up and running again if disaster strikes.
5. **Backup data.** Every business is in the data business now even if that data is just your client databases and online tax filing records. Losing data almost always causes huge problems for small businesses, so make sure you're backing up your data with an automated system that requires little oversight.
6. **Review.** Go over and update the plan every six months to account for staff changes, economic factors, and other issues pertinent to your business.

FUNDING REQUIREMENTS

State here the total funding requirements of the business, and how those are intended to be provided. You will also need to state the approximate breakdown of how these funds are to be spent.

(*Sources: Refer to “Guide Lines for Entrepreneurship in Oman”) E-Learning Portal.

1. Sample Business Plan and Feasibility Study

Following is available in sample Business Plan and Feasibility Study book. (E-Learning Portal)

1. Template of Business Plan
2. Two Samples Business Plan

2. Case Studies / Activities

The following Case Study complement lecture for the topics presented in this chapter is available in the: **(The Case study and Activity Book, E-Learning Portal).**

- Case 4.1
- Activity 4.1
- Activity 4.2

3 - Online Videos

These online videos may enhance class discussion and provide additional insight for the chapter topics. You may consider searching “Business plan” along with more specific topics.

- How do you write a business plan? 04:01 minutes
<http://www.youtube.com/watch?v=kNlwgKosS8A>
- Small Business Plan Sample 03:43 minutes
http://www.youtube.com/watch?v=m_Nlu3zMWuU
- How to Write a Business Plan 02:26 minutes
http://www.youtube.com/watch?v=SMr_uLZV-eM
- Business Marketing Plan 09:14 minutes
http://www.youtube.com/watch?v=Q4R0oU_tZPs
- Business Financial Plan | Expense | Revenue Planning | Cash Flow 06:32 minutes
<http://www.youtube.com/watch?v=ak7lhVrpmIQ>

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